

**Submission in response to public consultation paper: The Hague Conference Judgments Project**

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**Australian Government**  
**Attorney-General's Department**



# **HAGUE CONFERENCE JUDGMENTS PROJECT**

**Recognition and enforcement  
of foreign judgments**

**Public Consultation Paper**

March 2018

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## Executive summary

Through the Hague Conference on Private International Law, the Australian Attorney-General's Department (AGD) is currently engaged in negotiations on behalf of Australia for a draft Convention that is intended to establish uniform rules for the recognition and enforcement of foreign judgments in civil or commercial matters (the Hague Conference Judgments Project).<sup>1</sup>

The draft Convention aims to provide parties to litigation with a simple and predictable framework that will govern how a judgment in one Contracting State (a State that signs up to the Convention) can be recognised and enforced in another Contracting State.

To inform Australia's negotiating position, this consultation paper seeks public comment on law and policy matters raised in the draft Convention of November 2017, a copy of which is attached (**Attachment A**). The draft Convention may also be downloaded from the Hague Conference website ([www.hcch.net](http://www.hcch.net)).<sup>2</sup>

AGD is seeking both general and specific comments on the proposed text of the draft Convention ahead of a fourth, and possibly final, meeting of a Hague Special Commission from 24-29 May 2018. The purpose of the Special Commission meeting is to develop an appropriate text that can be submitted to a Diplomatic Conference for final negotiations and agreement. The Special Commission, set up by the Hague Conference in 2016, has met three times over the past two years to prepare the current draft Convention.

The fourth meeting of the Special Commission will focus on a limited number of outstanding issues. This includes contentious issues such as the extent to which intellectual property and privacy should fall within the scope of the draft Convention. Some members of the Special Commission propose that matters relating to intellectual property should be excluded from the draft Convention completely, while others seek its general inclusion, or inclusion on a restricted basis (see Part 5 for further discussion on intellectual property).

Any text in the draft articles in square brackets is not yet settled. That text includes intellectual property and privacy matters. Square brackets represent proposals, alternatives and options that are the subject of ongoing consideration by members of the Hague Conference.

It is intended that a draft Convention will be put to a Diplomatic Conference of the Hague Conference for consideration and conclusion no earlier than 12 months after the final meeting of the Special Commission (on current timing that is mid-2019 at the earliest). Until it has been concluded at a Diplomatic Conference, the text in the draft Convention is not finalised.

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<sup>1</sup> The Hague Conference on Private International Law (the Hague Conference) is an intergovernmental organisation in the area of private international law. It has 83 members (82 States and the European Union). The Hague Conference aims to (i) build bridges between the legal systems of countries and (ii) reinforce legal certainty and security, including by finding internationally-agreed approaches to issues such as the jurisdiction of courts and the recognition and enforcement of judgments. Australia has been an active participant in the Hague Conference since becoming a member in 1973 and is currently a Contracting State to 11 Conventions. In the area of family law, many of these Conventions facilitate the recognition and enforcement of foreign orders in family matters.

<sup>2</sup> The draft Convention can be found on the Hague Conference's website at <https://www.hcch.net/en/projects/legislative-projects/judgments/special-commission1>.

If the draft Convention is concluded at a Diplomatic Conference of the Hague Conference, and Australia determines that it is appropriate to sign the Convention, its implementation in Australia will be subject to the usual government processes and Joint Standing Committee on Treaties processes and review. Implementation is likely to require subsequent amendments to Australian domestic legislation.

**The Australian Attorney-General's Department invites you to contribute to consideration of the Hague Conference Judgments Project by making a submission on this consultation paper.**

This consultation paper provides readers with a short description of the current pathways for the recognition and enforcement of foreign judgments in Australia. It then outlines key provisions in the draft Convention and the rationale behind them. This paper also highlights key issues, areas for continued negotiation, and questions that stakeholders may wish to consider in commenting on the draft Convention.

Comments may address any one or more of the questions that appear throughout the paper.

**Written submissions are requested no later than COB 27 April 2018** and are to be sent to: [Hagueproject@ag.gov.au](mailto:Hagueproject@ag.gov.au). Any queries concerning the consultation process may also be directed to this email address.

Submissions may be made public on the AGD website.

If you do not want your submission to be made public, mark it as confidential. Please note that submissions or comments will generally be subject to freedom of information provisions.



## 1. Introduction

- 1.1 When parties are involved in a civil or commercial dispute before a court, a key practical outcome for both sides is a judgment that resolves the rights and liabilities of the parties. For the successful party, an outcome should involve ensuring that the judgment is recognised and enforced in order to obtain meaningful relief (ie a practical result). For Australian judgments enforced in Australia, such an outcome is to be expected and the rules to be applied for enforcement are relatively clear. Matters become less clear in circumstances where a judgment might need to be recognised and enforced in a foreign country, or where a foreign judgment might need to be recognised and enforced in Australia.

Examples of judgments that might need to be recognised and enforced in a foreign country:

- **Example 1:** Gabriella, from Spain, rented Anthony's holiday house in Australia for the summer. She hosted some parties in which the house was damaged. Anthony sued Gabriella for damages in Australia and obtained a judgment in his favour. He now seeks to have the judgment recognised and enforced in Spain.
- **Example 2:** Emily lives in Australia. Paul lives in Italy. Paul has been granted separate patents for an invention in Italy, the UK and Japan. Emily produced a product in Italy and the UK very similar to Paul's protected invention. Paul now wants to sue Emily for infringement of his patents in Italy and the UK, but knows that Emily's assets are all located in Australia.
- **Example 3:** Chloe lives in the Netherlands and Dave lives in Australia. They signed a contract for the delivery of goods in which they agreed that, in case of dispute, French courts would have jurisdiction. Dave sued Chloe for damages in France and obtained a judgment in his favour. Dave now seeks to have the judgment recognised and enforced in the Netherlands.

## Challenges

- 1.2 Currently, parties must look to a country's or a region's private international law principles and rules to determine how foreign aspects in a legal problem or dispute should be handled.<sup>3</sup> This may include ascertaining whether a judgment is enforceable in a foreign country in which a judgment debtor has assets located to satisfy a monetary judgment given in Australia. It may also involve circumstances in which a party seeks to enforce a foreign judgment against a

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<sup>3</sup> In simple terms, a country's private international law principles govern (i) the jurisdiction of a court (the authority a court has to hear a particular dispute); (ii) the choice of law (determining whether foreign law or the forum's law will be applied to a dispute); and (iii) the recognition and enforcement of foreign judgments (whether a judgment will be recognised and enforced in a foreign country). The draft Convention and intent of this consultation paper is to focus on the third of these three areas of law.



debtor in Australia. Given private international law principles and rules on the recognition and enforcement of judgments are not uniform across countries, this can often be a complex exercise which lacks certainty and predictability as parties must consider national law and a patchwork of conventions in operation between different groupings of countries.

**Example 4:** If a successful party sought to enforce an Australian judgment in the United States because the judgment debtor had transferred all its assets there, the relevant rules for recognition and enforcement of a foreign judgment would be governed by the local law of each US state in which those assets happened to be located. For jurisdictions without clear guidance for recognition and enforcement of foreign judgments, the successful party may be faced with great uncertainty as to how the Australian judgments would be recognised and enforced, if at all.

## Drivers for change

- 1.3 The main goals of the draft convention on the recognition and enforcement of judgments are to enhance access to justice (by assisting the successful party with a clearer pathway to obtain meaningful relief), to reduce the costs of and streamline legal processes involved in cross-border dealings, and to help address associated risks. To achieve these goals, this paper recognises that the draft Convention would need to be widely ratified. For example, if the United States did not ratify the Convention, then (per the previous example) a successful party seeking to enforce an Australian judgment in the United States would still need to determine the applicable state's laws in relation to recognition and enforcement of a foreign judgment.
- 1.4 If the draft Convention attracts wide membership, then the need for a party to bring substantive proceedings in more than one country in order to obtain a practical outcome can be avoided (for Contracting States). The framework provided by the draft Convention is intended to improve certainty, clarity and predictability, thereby potentially reducing the costs and timeframes associated with obtaining recognition and enforcement of a judgment, while also enabling and guiding parties to make more informed and efficient choices about where to bring initial proceedings.
- 1.5 Arguably, a widely accepted Convention could increase certainty and predictability in cross-border dealings. It could also promote efficiency in the use of judicial resources by encouraging parties to resolve all issues in initial court proceedings.

## Other considerations for Australian stakeholders

- 1.6 If the Convention is concluded and then subsequently implemented domestically in Australia, there will be implications for Australian stakeholders. For example, while Australian judgments may have greater scope for recognition and enforcement overseas (noting that the draft Convention will not apply to all countries but only to those that are Contracting States), foreign judgments given against Australian defendants may also have greater scope for being eligible for recognition and enforcement in Australia. Additionally, judgments may be recognised and enforced in circumstances in which they might not previously have been

eligible (eg they are non-monetary judgments). Therefore, while the draft Convention could be beneficial to Australian plaintiffs seeking to enforce judgments overseas, Australian stakeholders will also need to consider the implications of incoming judgments for defendants, noting that there is some discretionary language in the text which will allow for relevant courts to consider the application of certain provisions in their jurisdiction (eg, in relation to when recognition or enforcement of a judgment may be refused).

- 1.7 As the draft Convention will only apply between Contracting States, it is important to recognise that the current regimes for recognition and enforcement of judgments would also continue to operate in Australia (see Part 2 for more detail on current regimes in Australia). The current regimes will also continue to apply to categories of judgments that are excluded from the scope of the draft Convention. Should Australia choose to become a party to the Convention, the government will consider relevant amendments to domestic law in order to ensure that pathways for recognising or enforcing a judgment are clearer for stakeholders given this Convention will provide an additional regime for recognition and enforcement of judgments.

#### **Question 1**

**Have you experienced any problems with seeking to recognise or enforce a foreign judgment? If so, what have the main problems been? What are the benefits for Australian parties in the recognition and enforcement of foreign judgments abroad, and what are the risks for Australian parties if foreign judgments are recognised and enforced in Australia or overseas?**



## 2. Current arrangements for recognition and enforcement of foreign judgments in Australia

- 2.1 Whether a foreign judgment can currently be enforced in Australia or not depends on where the judgment was issued and the type of judgment that was issued.
- 2.2 Currently, foreign judgments may be eligible for recognition and enforcement in Australia under three regimes: (i) the *Foreign Judgments Act 1991* (Cth) (FJA) – which only applies to the 33 countries listed in the *Foreign Judgments Regulations 1992* (the Regulations);<sup>4</sup> (ii) the *Trans-Tasman Proceedings Act 2010* (Cth) (TTPA) – which only applies to judgments between Australia and New Zealand; and (iii) the common law.
- 2.3 If a foreign judgment falls under the FJA, it must be enforced under the FJA.<sup>5</sup> Likewise, the TTPA also applies with exclusive effect to judgments between Australia and New Zealand. If a foreign judgment does not fall under the FJA or TTPA, that judgment can only be enforced at common law.
- 2.4 The flowchart at **Attachment B** outlines the current pathways for recognition and enforcement of a judgment under the FJA and the common law.

### FJA and the common law

- 2.5 The FJA provides a statutory regime for the reciprocal enforcement of foreign judgments (which means there is substantial reciprocity of treatment assured in relation to the enforcement in a foreign country of judgments given in an Australian court). The FJA provides that unless the Regulations provide otherwise (which they currently do not), the only foreign judgments that are enforceable under the Act are ‘money judgments’ (that is, a judgment under which money is payable). The FJA currently only applies to enforceable monetary judgments that are final and conclusive. This means, for example, that a non-monetary judgment (eg an order granting an injunction prohibiting further infringements or an order for specific performance) would not be enforceable under the FJA.

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<sup>4</sup> The 33 countries are: the Bahamas, British Virgin Islands, Canada (but, for historical reasons, only the courts of Alberta, British Columbia and Manitoba are included), Cayman Islands, Dominica, Falkland Islands, Fiji, France, Germany, Gibraltar, Grenada, Hong Kong, Israel, Italy, Japan, Korea, Malawi, Montserrat, Papua New Guinea, Poland, St Kitts and Nevis, St Helena, St Vincent and the Grenadines, Seychelles, Singapore, Solomon Islands, Sri Lanka, Switzerland, Taiwan, Tonga, Tuvalu, United Kingdom, and Western Samoa.

<sup>5</sup> The *Foreign Judgments Act 1991* (Cth), s 10.

- 2.6 The Regulations list the superior courts of 33 countries that have similarly provided for the enforcement of Australian court judgments.<sup>6</sup> Notably, the courts of some of Australia's main trading partners (eg the United States and China) are not part of this scheme. If a foreign judgment originates from a country not listed in the Regulations, then the plaintiff must turn to the common law to seek potential recognition and enforcement of that judgment. The common law has a requirement similar to the 'money judgment' requirement of the FJA. At common law, a foreign judgment is only enforceable if it is for a fixed sum of money.

## FJA considerations

- 2.7 Subject to certain conditions, if the court of a country listed in the Regulations makes a final and conclusive judgment pursuant to which money is payable and not wholly satisfied, an application may be made to the relevant Australian court for registration of that foreign judgment. Once registered, the foreign judgment is enforced as a judgment of the Australian court. Section 7 of the FJA sets out grounds upon which a judgment debtor can have the registration of the foreign judgment set aside (further detail below).

## Common law considerations

- 2.8 To recognise a foreign judgment at common law, an Australian court will first need to consider whether the foreign court had international jurisdiction to hear the matter. This may, for example, be established when a defendant has voluntarily submitted to the jurisdiction of a foreign court, or where it has 'presence' in the foreign jurisdiction (for a corporation, this is satisfied if it was 'carrying on a business' in the foreign jurisdiction).
- 2.9 On the whole, the grounds of international jurisdiction under the FJA are broader than the common law. However, there are cases in which the common law, but not the FJA, would recognise a foreign court's jurisdiction. For example, the FJA recognises a foreign court as having jurisdiction over a corporation if its principal place of business is in the foreign country, whereas at common law the location of any office would suffice. In such circumstances, a foreign judgment may be eligible for enforcement through the common law but not through the FJA. As noted earlier, if a foreign judgment falls under the FJA (ie it is a judgment from a foreign court listed in the Regulations), it must be enforced under the FJA;<sup>7</sup> otherwise, it can only be enforced at common law.

## Current bases for non-enforcement or setting aside of a foreign judgment

- 2.10 There are a number of common grounds under the FJA, TTPA and common law upon which judgments can be set aside. These grounds include: (i) where a judgment was obtained by fraud (eg the plaintiff lied to the Court); (ii) where enforcement would be contrary to public policy (courts have interpreted this to be a high threshold, eg where enforcement would be detrimental to national interests (generally in foreign affairs), or the result of the particular

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<sup>6</sup> While judgments of the lower courts of the listed countries generally fall outside the scheme of the FJA, Regulation 5 does extend the scheme to some inferior courts of the UK, Switzerland and three Canadian provinces.

<sup>7</sup> The *Foreign Judgments Act 1991* (Cth), s 10.

case would be unacceptably unjust); or (iii) where proceedings have breached natural justice (eg, the defendant did not receive notice of the proceedings, or was not given a fair opportunity to present a case).

## Question 2

**Have you encountered issues and/or inconsistencies with the current regimes for recognition and enforcement of either Australian judgments in foreign countries or foreign judgments in Australia? If so, please provide details.**

*Issues may encompass increased costs and timeframes associated with obtaining recognition and enforcement of judgments, including through duplicative proceedings in more than one jurisdiction, or an inability to obtain meaningful relief. Information on types of judgments and jurisdictions relevant to your experience is appreciated.*



### 3. The Hague Conference Judgments Project

- 3.1 The Hague Conference Judgments Project aims to simplify and harmonise private international law principles around the recognition and enforcement of judgments by creating a regime based on reciprocity for their circulation. The draft Convention of November 2017 is at **Attachment A**. While it represents the latest version prepared between members of the Special Commission, it should not be regarded as finalised. At this stage, text in square brackets can be found in the draft Convention. Square brackets represent proposals, alternatives and options that are the subject of ongoing consideration and negotiation. As discussed at Part 5, the draft Articles relating to intellectual property are all in square brackets.
- 3.2 The draft Convention is designed to provide a more efficient system for the recognition and enforcement of foreign judgments in civil or commercial matters. It is intended to only apply between Contracting States and will allow for the circulation of judgments in agreed circumstances.

## Structure of the draft Convention

- 3.3 The draft Convention contains 33 Articles, divided across four chapters:
- Chapter I contains Articles 1 to 3, which define the scope of the draft Convention and set out relevant definitions
  - Chapter II contains Articles 4 to 16, which focus on how and in what circumstances judgments will be able to circulate between Contracting States (ie setting out the bases for recognition and enforcement of foreign judgments, and grounds for refusal of recognition or enforcement)
  - Chapter III contains Articles 17 to 25, which deal with general clauses including transitional provisions and declarations, and
  - Chapter IV contains Articles 26 to 33, which provide detail on final clauses including the ratification process and entry into force of the draft Convention.

## Key provisions

- 3.4 More specifically, the draft Convention provides that a judgment given by a court of a Contracting State (a party to the Convention) shall be recognised and enforced in another Contracting State (Article 4). To be eligible for circulation, the judgment must come within one of the jurisdictional bases contained in Article 5 (note: Article 5(3) specifically provides for the eligibility, on a restricted basis, of judgments relating to intellectual property rights – see Part 5). If eligible, recognition and enforcement of a judgment can only be refused in limited circumstances (Article 7). These limited circumstances reflect similar grounds in the FJA and the common law, including where a judgment was obtained by fraud (eg the plaintiff lied to the Court) or where enforcement would be contrary to public policy (eg where enforcement would be detrimental to national interests – generally in foreign affairs), again only likely in limited circumstances. The judgment may also be refused if and to the extent that damages

are awarded by the foreign court in excess of those that would be necessary to compensate a party for actual loss or harm suffered (Article 10). It should be noted that the draft Convention leaves such decisions to the discretion of the courts to consider whether to recognise and enforce the foreign judgment.

- 3.5 The flowchart at **Attachment C** outlines the process for recognition and enforcement under the draft Convention.



## 4. Main issues to consider

### Scope of the Convention

- 4.1 The draft Convention shall apply to the recognition and enforcement of judgments relating to civil or commercial matters (Article 1). It will only facilitate the recognition and enforcement of judgments given by courts of Contracting States, in the courts of other Contracting States. The concept of ‘civil or commercial matters’ is used in distinction to public and criminal law, where the State acts in its sovereign capacity. So, for example, the draft Convention does not apply to enforcement orders brought by governments or governmental agencies, such as anti-trust / competition authorities or financial supervisors, which seek to ensure compliance or to prevent non-compliance with regulatory requirements.
- 4.2 The scope of the draft Convention is further defined by excluding certain matters (Article 2) either because they are covered by other instruments (eg maintenance obligations and other family law matters), or are typically matters on which consensus cannot be achieved.
- 4.3 The extent to which matters relating to privacy/ unauthorised public disclosure of information relating to private life (Article 2(l)) and to intellectual property (Article 2(m)) should be excluded from scope is subject to further consideration and negotiation. This is indicated by the square brackets surrounding the relevant text in the draft Convention. Some members of the Special Commission propose that matters relating to intellectual property should be excluded from the draft Convention completely (Article 2 (m)), while others seek their general inclusion, or inclusion on a restricted basis (Article 5(3) and 6(a)) – see Part 5 for further discussion on intellectual property.

**Example 5:** Pursuant to the exclusion of matters concerning the status and legal capacity of natural persons in Article 2(1)(a), judgments on divorce, legal separation, annulment of marriage, establishment or contestation of parent-child relationships, adoption, emancipation, or the status and capacity of minors or persons with disabilities are excluded from the scope of the Convention.

**Example 6:** Pursuant to Article 2(1)(d), matters relating to the succession to the estate of a deceased person are excluded. This covers all forms of transfer of assets, rights and obligations by reason of death, either by way of a voluntary transfer under a disposition of property upon death or a transfer through intestate succession.

**Example 7:** Sub-paragraph 2(1)(k) excludes defamation from scope. Defamation is a sensitive matter for many States since it touches upon freedom of expression and can have constitutional implications. Likewise, sub-paragraph 2(1)(l) excludes privacy issues as they also feature a clash between the protection of reputation or private life matters and other fundamental rights like freedom of expression.



**Example 8:** Recognition and enforcement of arbitral awards and court decisions giving assistance to the arbitral process (ie deciding whether the arbitration clause is valid or not, appointing or dismissing arbitrators, or fixing the place of arbitration) are excluded from the scope of the draft Convention.

**Example 9:** Sub-paragraph 2(m) excludes intellectual property [and analogous matters] from scope. The inclusion of intellectual property in the scope of the Convention has been contentious due in part to the fact that intellectual property rights are territorial and are often dealt with by the State granting the right.

### Question 3

What are your views on the scope of the draft Convention? Are there any civil or commercial matters that are currently in scope that raise concerns? In particular, do you have any views on those matters in bracketed text, ie privacy/unauthorised public disclosure of information relating to private life; and/or intellectual property [and analogous matters]?

## Bases for recognition and enforcement

- 4.4 Subject to three exclusive grounds of jurisdiction listed in Article 6, Article 5 provides a list of jurisdictional bases against which a foreign judgment is to be assessed in order to be eligible for recognition and enforcement under the draft Convention. If a State where a judgment was given (the State of origin) based its jurisdiction to hear and decide a matter on one or more of the bases mentioned in Article 5, then the judgment will in principle be entitled to recognition and enforcement in the courts of Contracting States to the Convention.
- 4.5 A judgment (if it doesn't relate to intellectual property) may be eligible for recognition and enforcement if it satisfies one or more of the 13 jurisdictional grounds listed in Article 5(1). Article 5(1) provides an exhaustive list of jurisdictional bases which create an obligation under the draft Convention entitling a judgment to recognition and enforcement for matters other than intellectual property matters – which are addressed in Article 5(3) – and the three exclusive grounds of jurisdiction listed in Article 6.
- 4.6 For judgments that relate to intellectual property, only the grounds listed in Article 5(3) and Article 6(1) (both in square brackets) are relevant. These grounds are not addressed in this section but are considered at Part 5.
- 4.7 The grounds in Article 5(1) include:
- Where the person against whom recognition or enforcement:
    - is habitually resident in the State of origin at the time of proceedings in the court of origin (Art. 5(1)(a))

‘Habitual residence’ has been chosen as a connecting factor as it is more fact-based than ‘domicile’ or ‘nationality’, is consistent with modern Hague instruments, and is less likely to give rise to conflicting assessments by courts.<sup>8</sup>

- had his/her principal place of business in the State of origin and the claim arose out of the activities of that business (Art. 5(1)(b))

This covers scenarios where a natural person carries on business or professional activities through establishments located in States other than the State of their habitual residence.

- brought the claim, other than a counterclaim (Art. 5(1)(c))

Where a person brings a civil or commercial claim to a court, this typically indicates that person’s acceptance of the jurisdiction of that court.

- Where the defendant:
  - maintained a branch, agency, or other establishment without separate legal personality in the State of origin, and the claim on which the judgment is based arose out of the activities of that branch (Art. 5(1)(d))

This is a basis of jurisdiction for secondary establishments: a person assumes the jurisdiction of the court of the State in which it sets up and maintains an establishment.

- expressly consented to the jurisdiction of the court of origin or argued on the merits without contesting jurisdiction (Art. 5(1)(e)-(f))

These two paragraphs deal with judgments rendered against defendants who consented to the jurisdiction of the court. Consent of a defendant is largely accepted as a legitimate base for jurisdiction. Note: jurisdiction based on consent is subject to specific limitations for defendants who are consumers or employees – see Article 5(2).

- Where the judgment:
  - ruled on a contractual obligation, given in the State in which performance of that obligation took place, in accordance with the parties’ agreement or the law applicable to the contract, unless the defendant’s activities did not constitute a purposeful and substantial connection to the State (Art. 5(1)(g))

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<sup>8</sup> The term ‘habitual residence’ is used in other Hague conventions to which Australia is a Contracting State.  
Hague Conference Judgments Project – Consultation Paper

This ground reflects a compromise between States that consider the place of performance as a sufficient basis for jurisdiction, and States that require a more ‘factual’ appraisal based on the activities of the defendant.

- ruled on a tenancy of immovable property located in the State of origin (Art. 5(1)(h))

While a judgment that rules on a tenancy of immovable property is eligible for recognition and enforcement if the judgment was given in the State in which the property is situated, this provision does not exclude the application of other jurisdictional filters (eg the habitual residence of the defendant). Article 6(c) does however provide exclusive jurisdiction for long term tenancies to the State where the immovable is located.

- ruled on a contractual obligation secured by a right *in rem* in immovable property in the State of origin, if the contractual claim is brought together with a claim against the same defendant relating to that right *in rem* (Art. 5(1)(i))

This provision recognises the efficiency of allowing the joining, in one proceeding, of a claim on a contractual obligation secured by a right *in rem* with a claim relating to that right *in rem*.

- ruled on a non-contractual obligation arising from death, physical injury, damage to or loss of tangible property, when the act or omission occurred in the State of origin (Art. 5(1)(j))

This is limited to two types of injury – to persons and to property. Note: this connection need not be satisfied if the person against whom enforcement is sought was habitually resident in the State of origin at the relevant time (Art. 5(1)(a)). It is therefore most likely to apply to foreign defendants in the court of origin.

- concerns the validity, construction, effects, administration or variation of a trust created voluntarily and evidenced in writing (Art. 5(1)(k))

This does not apply to a resulting or constructive trust imposed by law. It only applies to judgments dealing with disputes that are internal to the trust. Judgments dealing with disputes between the parties to the trust and third parties must be considered under other provisions of Article 5(1).

- subject to certain conditions, ruled on a counterclaim (Art. 5(1)(l)), or

Since the original claimant voluntarily brought a claim before the court of origin, it is legitimate that this jurisdiction may also rule on a counterclaim, but only insofar as it derives from the same transaction or occurrence.

- was given by a court designated in an agreement other than an exclusive choice of court agreement (Art. 5(1)(m)).

This recognises jurisdiction based on express consent between the parties, but does not cover exclusive choice of court agreements, to which the 2005 Choice of Court Convention is intended to apply. That is, Article 5(1)(m) is intended to apply to non-exclusive jurisdiction clauses.

- 4.8 Article 5(2) sets out limits or exceptions to the general rules in Article 5(1) with respect to consumer and employment contracts, namely in relation to sub-paragraphs (1)(e), (f), (g) and (m), listed above.<sup>9</sup> These exceptions only apply to situations where a judgment is sought to be recognised or enforced against a consumer or employee, and do not apply where recognition or enforcement is sought by the consumer or employee.
- 4.9 Notwithstanding the grounds in Article 5, Article 6 sets out exclusive bases for recognition and enforcement. This provision has two effects: (i) judgments that meet the bases of jurisdiction listed in Article 6 are eligible for recognition and enforcement, and (ii) judgments that do not shall not be recognised or enforced, either under the draft Convention or under national law.
- 4.10 Article 6(a), which is in square brackets, relates to intellectual property and is considered in Part 5.
- 4.11 Article 6(b) sets down an exclusive basis of jurisdiction relating to rights *in rem* over immovable property for the State in which the property is situated. Article 6(c) sets down a ‘conditional’ exclusive basis of jurisdiction for tenancies of immovable property (it is exclusive if the law of the State where the immovable property is situated grants its courts exclusive jurisdiction)

#### Question 4

**What are your views on the jurisdictional bases for recognition and enforcement? Do any of the currently proposed bases cause concern?**

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<sup>9</sup> Article 5(1)(e)-(f) relate to circumstances where the defendant expressly consented to the jurisdiction of the court of origin or argued on the merits without contesting jurisdiction; Article 5(1)(g) relates to circumstances where the judgment ruled on a contractual obligation subject to certain conditions; and Article 5(1)(m) relates to circumstances where the judgment was given by a court designated in an agreement other than an exclusive choice of court agreement.

## Refusal of recognition or enforcement

4.12 Article 7 sets out the grounds upon which recognition or enforcement of a judgment may be refused. It lists grounds that *allow*, but do not require, the requested State to refuse recognition or enforcement based either on the way the proceedings took place in the State of origin or on the nature or content of the judgment itself.<sup>10</sup> This is an exhaustive list that limits what defences a judgment debtor can invoke in the requested State and what a court in the requested State can do in terms of refusing to recognise or enforce a judgment.

4.13 Article 7(1) lists seven grounds that the courts of the requested State may rely on in refusing to recognise or enforce a judgment in the requested State, including:

- the document which instituted the proceedings or an equivalent document was not notified to the defendant in a sufficient time and in such a way as to enable the defendant to arrange for defence or was notified in a manner that is incompatible with fundamental principles of the requested State concerning service of documents (Art. 7(1)(a))

This ground protects the defendant and guarantees the most basic principle of procedural justice: the defendant has the right to be heard before the court renders a judgment.

**Example 10:** Clara, who lives in Austria, sued Mike who lives in Australia for a breach of contract in Austria. Due to an administrative error, Mike did not receive notification of the court proceedings and did not know about the claim. Clara obtained a default judgment in her favour which may, at the discretion of the requested Court, not be recognised or enforced against Mike under the Convention.

- a judgment was obtained by fraud (Art. 7(1)(b))

Fraud refers to behaviour that deliberately seeks to deceive in order to secure an unfair or unlawful gain to deprive another of a right.

**Example 11:** Noah lives in Australia. He sued Laila for breach of contract in Germany where she habitually resides. Noah paid Benjamin to falsely testify in court about the claim. After a judgment in favour of Noah had been rendered against Laila, Benjamin corrected his statement.

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<sup>10</sup> Contracting States are free, however, to establish in their implementing legislation for the Convention that their courts are bound to refuse recognition and enforcement if one of the grounds for refusal listed in Article 7 is met.

- recognition and enforcement would be manifestly incompatible with the public policy or with fundamental principles of procedural fairness of the requested State (Art. 7(1)(c))

This defence is intended to be a final discretionary safeguard against a judgment the recognition and enforcement of which would lead to an ‘intolerable result’. The recognition and enforcement would have to constitute a manifest breach of a rule of law regarded as essential in the legal order of the requested State or of a right recognised as being fundamental within that legal order. It is not sufficient for the party opposing recognition or enforcement to simply point to a mandatory rule of the law of the requested State that the foreign judgment fails to uphold. Nor can a judgment debtor or court refuse recognition simply on the basis that the judgment in the State of origin was contrary to Australian domestic policy.

In Australia, courts have set the public policy defence at a high threshold – for example, where enforcement would be detrimental to national interests (generally in foreign affairs), or where the result of the particular case would be unacceptably unjust. The term ‘manifestly’ is also intended to set a high threshold for this defence in the draft Convention.

- the proceedings in the court of origin were contrary to an agreement, or a designation in a trust instrument, under which the dispute in question was to be determined in a court other than the court of origin (Art. 7(1)(d))

The rationale of this sub-paragraph is to protect the effectiveness of the choice of court agreement or the designation in a trust instrument, thereby respecting party autonomy.

**Example 12:** Tamara brings a contractual claim against Niko in China, where the contractual obligation on which the claim was based had to be performed. The parties had agreed to submit such claims to the exclusive jurisdiction of the courts of France. Niko contests jurisdiction in the court of origin (China) on the basis of the choice of court agreement, but this defence is dismissed. If the judgment on the merits is favourable to Tamara, the recognition or enforcement of the judgment may still be refused in a requested State since the proceedings in China were contrary to the choice of court agreement (which had designated the courts of France).

- the judgment is inconsistent with a judgement given in the requested State in a dispute between the same parties (Art. 7(1)(e))

In international disputes, more than one court may have jurisdiction over a dispute. Parallel or multiple proceedings may be engaged in these courts, leading to more

than one judgment. This ground applies to inconsistency with a judgment in the requested State. It does not require that the two judgments involve the same subject matter (compare with Article 7(1)(f)).

- the judgment is inconsistent with an earlier judgment given in another State between the same parties on the same subject matter (Art. 7(1)(f))

This ground applies to inconsistency with a judgment given in another State, which may be a Contracting on non-Contracting State. This ground however accords priority to the first-in-time judgment, and both judgments must concern the same parties and the same subject matter. This is narrower than Article 7(1)(e).

**Example 13:** Lilly sued Daniel in Italy. The Italian court rendered a judgment against Lilly but in favour of Daniel. Lilly then sued David again on the same subject matter in Spain and obtained a judgment in her favour. Recognition and enforcement of the Spanish judgment in a third State may be refused because it is inconsistent with the prior Italian judgment between the same parties on the same subject matter.

- [the judgment rules on an infringement of an intellectual property right, applying to that [right/infringement] a law other than the internal law of the State of origin] (Art. 7(1)(g))

As indicated by the square brackets, this ground is still under consideration and negotiation. The purpose of this ground is to provide a discretionary safeguard to the territoriality principle, and in particular the application of the law of the State for which protection is sought. At the jurisdictional level, the courts of the State granting the right should have jurisdiction over the infringement of that right. Further discussion of this is contained at Part 5.

**Example 14:** Sarah brings a claim against Jason in the Netherlands, where Jason is habitually resident. The judgment rules on the infringement of a patent registered in Greece but applies the law of the Netherlands. According to the territoriality principle, that patent could only be infringed in Greece, since infringement can occur only in the State where the IP rights exist. Article 7(1)(g) allows other States to refuse recognition or enforcement of that judgment.

**Example 15:** Emma lives in Australia and has written and self-published a book. Harry is a student living in Australia. He publishes a substantial extract of the book on his book review website that links to a website where the book can be bought from Emma. Emma doesn't take any action against Harry because she suspects the review and extract has increased her sales of the book. Emma has just negotiated a licence with a US publisher to publish her book in the US. The US publisher brings a claim in the US against Harry

after accessing the extract of Emma's book via Harry's website.

If a US court considers it has jurisdiction, Harry may be found to have infringed the US publisher's rights. If the US court applied Australian law in finding an infringement, then Article 7(1)(g) gives the Australian court discretion to refuse recognition and enforcement of that judgment. If the US court applied US law to the infringement, the judgment would not be eligible for recognition and enforcement (Article 5(3)(b)) if an Australian court considered that Harry's actions were not targeted at the US.

4.14 Finally, through Article 7(2), recognition and enforcement *may* be postponed or refused if:

- proceedings between the same parties on the same subject matter are pending before a court of the requested State, where the court of the requested State was seised before the court of origin and there is a close connection between the dispute and the requested State (Art. 7(2))

The draft Convention does not include a rule on a pending lawsuit. Therefore, parallel proceedings, between the same parties on the same subject matter, may take place in different States. Where proceedings are still pending in the requested State at the time recognition and enforcement of a foreign judgment is sought, recognition or enforcement of that judgment may be postponed or refused. Refusal under this section does not prevent a subsequent application for recognition or enforcement.

#### Question 5

What are your views on the grounds for refusing recognition or enforcement? Do any of the currently proposed grounds cause concern?

## Other provisions

- 4.15 **Preliminary questions:** If a judgment rules on a matter as a preliminary question that is not within the scope of the draft Convention (eg it is excluded by Article 2 or Article 6), Article 8 provides that the preliminary question shall not be recognised or enforced through the draft Convention. Article 8(3), which concerns situations where the preliminary question relates to the validity of an intellectual property right, is explored further in Part 5.
- 4.16 **Damages:** Article 10 addresses the issue of damages. It provides discretion for the requested court to refuse recognition and enforcement of a judgment if, and to the extent that, the award of damages does not compensate the plaintiff for actual loss or harm suffered. This does not mean that the requested court examines whether it could or would have awarded the same amount of damages or not. Article 8 operates when it is obvious that the award appears to go beyond the actual loss or harm suffered.



- 4.17 Article 10 refers to exemplary and punitive damages. These two terms mean the same thing and reflect the fact that these damages have an expressly punitive, as opposed to a primarily compensatory, objective. While it is generally accepted that compensatory damages can have a deterrent effect, this is not the primary objective of compensatory damages which is to repair the actual loss suffered by the party to whom they are awarded. Punitive or exemplary damages, on the other hand, are typically awarded to express condemnation of particularly egregious behaviour on the part of the person who has caused the harm. The requested Court therefore has the discretion to refuse recognition and enforcement to the extent that damages awarded on the basis of a party agreement (eg, liquidated damages) or of a statute (eg, statutory damages) are intended to punish the defendant rather than to provide for a fair estimate of an appropriate level of compensation.
- 4.18 **Costs of proceedings:** Article 15 relates to the costs of proceedings. It reflects a traditional view that no security, bond or deposit may be required from the applicant for the sole reason that he or she is a national of another State or his or her habitual residence or domicile is in another State. A security payment is however possible for other reasons including, for example, where the judgment-creditor has no assets in the requested State.

#### Question 6

What are your views on damages, costs and/or other provisions in the draft Convention?



## 5. Intellectual property matters

- 5.1 The text of the draft Convention, where it refers to intellectual property in square brackets, is not settled and will be further negotiated.

### Scope

- 5.2 There are currently two approaches for addressing intellectual property in the draft Convention:
- Option 1 would see intellectual property matters excluded from the scope of the draft Convention (see Article 2(1)(m))
  - Option 2 would see intellectual property included within the scope of the draft Convention, with the extent to which provisions relating to the circulation of judgments on intellectual property matters and appropriate safeguards subject to further consideration and negotiation (see Articles 5(3), 6(a), 7(1)(g), 8(3) and 11).
- 5.3 Intellectual property rights are territorial. This means the existence of an intellectual property right and the prerogatives afforded to the right holder are limited to the territory of the State granting the right. The draft Convention is not intended to change that and it does not seek to harmonise intellectual property laws. Rather, the law of the State for which protection is sought determines the existence, content and infringement of intellectual property rights. The draft Convention seeks to provide uniform rules for the recognition and enforcement of civil and commercial matters which, depending on negotiations, may include intellectual property rights.
- 5.4 The flowchart at **Attachment D** outlines the process for recognition and enforcement for intellectual property matters under the draft Convention.

#### Question 7

Should intellectual property matters be included or excluded in the draft Convention (see Article 5(3) and Article 2, respectively)? To what extent should the circulation of intellectual property judgments be treated differently to that of other judgments under the draft Convention?

### Exclusion of intellectual property

- 5.5 If intellectual property matters are excluded from the scope of the draft Convention under Option 1, recognition and enforcement of foreign intellectual property judgments would still be available through Australia's current regimes (the FJA and the common law, as described in Part 2).

## Inclusion of intellectual property

- 5.6 If intellectual property matters are included within the scope of the draft Convention pursuant to Option 2, it is proposed that a distinction should be drawn between judgments ruling on the validity and infringement of registered (or granted) and unregistered intellectual property rights. It could be the case that a foreign judgment will be based on an unregistered right or a registered (or granted) right that is not recognised in Australia. If eligible, stakeholders should be aware that a court can recognise and enforce such a judgment in Australia, subject to the discretionary safeguards outlined below.
- 5.7 Importantly, the draft Convention does not provide for judgments to affect persons who are not parties to the litigation in the State of origin. The foreign judgment only applies as between the parties and, given the territorial nature of intellectual property rights, is not intended to change or affect the domestic law of the country in which it is recognised or enforced. For example, a foreign judgment ruling on the validity (subsistence or ownership) or infringement of copyright in France would only relate to that specific copyright in France as it is different to the copyright existing in Australia, even if copyright arises in relation to the same work. However, it is the intention of the draft Convention that the judgment, for example, for monetary damages, could be recognised and enforced in Australia.
- 5.8 Article 5(3) and Article (6) set out the bases upon which a judgment relating to intellectual property is eligible to be recognised and enforced.
- 5.9 **Registered or granted rights:** Article 5(3)(a) and Article 6(a) concern intellectual property rights required to be granted or registered and include rights that were granted under the terms of an international or regional instrument (eg a trademark right protected under the World Intellectual Property Organisation administered Madrid Protocol, a European Patent under the Munich Convention, and geographical indications protected under bilateral and free trade agreements). It is worth noting that the scope of ‘intellectual property rights’ required to be registered or granted is not clearly bounded in the draft Convention and includes – non-exhaustively – patents, trademarks, industrial designs, plant breeders’ rights, resources and geographical indications.
- 5.10 Pursuant to Article 6(a), if the relevant judgment relates to the registration (currently in square brackets because the Convention does not apply to decisions of administrative authorities, but could apply to disputes between private parties about registration) or validity of the registered or granted right, the judgment will be recognised and enforced by a requested State if and only if the State of origin is the State that granted or registered the right concerned. Article 6(a) has two effects: (i) judgments that satisfy its requirements are eligible for recognition and enforcement; and (ii) judgments that do not shall not be recognised or enforced, either under the draft Convention or under national law.
- 5.11 Pursuant to Article 5(3)(a), if the relevant judgment relates to the infringement of rights required to be granted or registered, the judgment will only be eligible for recognition and enforcement in a requested State if the State of origin is the State that granted or registered

the right concerned. Rights that may be voluntarily registered (eg copyright in certain jurisdictions) do not fall within this category (but are discussed at Article 5(3)(b) and (c)), as such rights are not ‘required’ to be registered.

- 5.12 **Non-registered rights:** Article 5(3)(b) and Article 5(3)(c) provide a closed list of rights not required to be registered or granted. They apply to copyright or related rights, unregistered trademarks (which may include well-known marks) and unregistered industrial designs. Related rights include the rights of performers in their performances, rights of producers and sound recorders in their recordings, and rights of broadcasting organisations in their radio and television broadcasts. Note: trade secrets are not considered intellectual property rights and so are not covered by this provision.
- 5.13 If the relevant judgment relates to the validity (or subsistence or ownership – currently in square brackets) of the right, it is eligible for recognition and enforcement if the right concerned is governed by the law of the State of origin (Article 5(3)(c)). Similarly, if the relevant judgment ruled on an infringement of those rights, the judgment will be eligible for recognition and enforcement if it was given by a court in the State for which protection was claimed (Article 5(3)(b)). The terms ‘subsistence or ownership’ are currently in square brackets in Article 5(3)(b) because there is a view that the term ‘validity’ already encompasses ‘subsistence’ and ‘ownership’.
- 5.14 The validity [subsistence or ownership] of copyright or related rights is treated in a similar way to the validity of intellectual property rights required to be registered or granted. The main difference is that the protection of Article 5(3)(c) is not subject to exclusive jurisdiction, unlike intellectual property rights required to be granted or registered as per Article 6. Judgments that meet the exclusive bases for recognition and enforcement in Article 6 are eligible for recognition and enforcement, while judgments that do not satisfy its requirements shall not be recognised and enforced, either under the draft Convention or under national law.
- 5.15 As a consequence of the approach taken in Article 5(3), the draft Convention does not facilitate the consolidation of proceedings in multi-State IP infringement. If an act infringes intellectual property rights protected in more than one State, the judgment that ruled on the dispute will only be eligible for recognition and enforcement under the draft Convention to the extent that it ruled on an infringement of the intellectual property right protected in the State of origin of the judgment.

#### Question 8

If included in the draft Convention, what are your views on the scope of intellectual property rights as currently defined/categorised?

## Discretionary safeguards

- 5.16 Given the ubiquity of the internet, the enforcement of intellectual property rights in cases of alleged infringements committed in the online environment requires consideration of adaptation to the traditional territoriality principle. For this reason, Article 5(3)(a)-(b), which deals with the infringement of intellectual property rights, contains the following safeguard for defendants in square brackets: ‘unless the defendant has not acted in that State to initiate or further the infringement, or their activity cannot reasonably be seen as having been targeted at that State’.
- 5.17 This means that the jurisdictional filter for intellectual property infringement is not met if the requested court determines that the defendant (i) did not act in the State of origin to initiate or further the infringement; or (ii) did not target the activity to that State. The onus appears to rest with the defendant to show that there was no targeting of the State involved. How courts will construe the term ‘targeting’ in Australia is not clear at this stage.

**Example 16:** Fi runs a niche online publishing business for Australian students seeking to publish their theses. Fi publishes examples of the work she has done for students with their consent. One such student, Patrick, has just negotiated a deal with US publishers. The US publishers bring a claim against Fi when they access Patrick’s thesis online.

In seeking to prevent the US judgment being recognised in Australia, Fi will seek to show that her clientele is based in Australia and her activities were not targeted towards the US.

- 5.18 As discussed in Part 4, there are a number of discretionary safeguards and bases for refusal listed in Article 7. The grounds listed in Article 7 are general and apply to all judgments including but not limited to intellectual property related judgments. Article 7(1)(g) is a specific intellectual property related ground for refusal. It provides for a potential safeguard of the application of the law of the State for which protection is sought in intellectual property infringement cases. Recognition or enforcement of a judgment that rules on an infringement of an intellectual property right (registered or unregistered) may be refused if a law other than the internal law of the State of origin was applied. For example, a requested court could refuse to recognise a US judgment applying Australian law to an infringement of a US registered trademark. This ground for refusal aims to address the fact that there are jurisdictions that do not consider jurisdiction for infringement cases as exclusive.
- 5.19 Article 8(3) operates by addressing situations in which the validity of an intellectual property right arises as a preliminary issue, for example when a judgment rules on a contractual licensing dispute. Since a determination on validity should, under the draft Convention, be subject to the exclusive jurisdiction of the State where the right was granted or registered (see Article 6(a)), Article 8(3) allows a requested State to refuse recognition or enforcement of the preliminary question where that ruling is inconsistent with a judgment or a decision of a competent authority on that matter given in the State which had exclusive jurisdiction

pursuant to Article 6(a), or proceedings concerning the validity of that right are pending in that State (Article 8(3)(a)-(b)).

- 5.20 Article 8(3)(a)-(b) therefore gives preference to the decisions of courts of the State of registration. The defendant may however only benefit from this defence if a favourable judgment on the invalidity of the registered intellectual property right was rendered in the State of registration or if proceedings on the validity or the invalidity of the intellectual property right are pending in that State.

#### Question 9

Are the suggested discretionary safeguards in the draft convention adequate for intellectual property matters?

## Remedies and damages

- 5.21 **Remedies:** Article 11 provides that a judgment on infringement granting a remedy other than monetary damages in intellectual property matters (whether for a registered or unregistered right) shall not be enforced under the draft Convention. It is in square brackets, indicating it is subject to further negotiation. This is because, on the one hand, it is argued that the inclusion of non-monetary intellectual property judgments such as injunctions could add effectiveness to the draft Convention in the intellectual property area. On the other hand, the difference between monetary and non-monetary judgments entails important consequences with respect to the means of enforcement including practical issues regarding the meaning of a foreign judgment, and difficulties when an equivalent non-monetary relief is not available in the requested State. There is also a question about whether recognition (as opposed to enforcement) of a judgment granting non-monetary relief should or should not be allowed.
- 5.22 Article 11 can be contrasted with the situation for non-intellectual property related judgments for which it is envisaged that courts would be able to recognise and enforce non-monetary judgments.
- 5.23 **Damages:** Article 10 allows a judgment to be refused recognition or enforcement to the extent that it awards damages that do not compensate a party for actual loss or harm suffered. As discussed earlier in Part 5, this means that exemplary or punitive damages may not be recognised and enforced at the discretion of the requested court.
- 5.24 Article 10 is of particular relevance to intellectual property related judgments. In many States, damages in infringement cases may contain compensatory damages compensating the plaintiff for actual (including future) losses suffered, and damages that are intended to punish the defendant and deter the defendant and others from committing similar infringements in the future. Currently, such judgments are often refused recognition and enforcement based on public policy considerations. Article 10 seeks to strike a balance between the obligation to recognise and enforce, and full refusal where the judgment also awards non-compensatory damages. According to Australian jurisprudence, proof of actual loss or harm involves

establishing a causal link. It would seem that any damages awarded by a court in the State of origin that did not reflect a quantification of causal loss may, in Australia, be refused recognition and enforcement under the draft Convention. This means that an Australian court, to the extent that it characterised certain damages as exemplary or punitive, could have that exemplary or punitive component of the award of damages severed from the amount enforceable in Australia.

#### **Question 10**

**What are your views on the recognition and enforcement of monetary vs non-monetary judgments for infringement in intellectual property matters? Are there any other issues relating to intellectual property that should be addressed by the draft Convention?**

## Questions

The Australian Government Attorney-General's Department would like to hear your views on the following questions:

- Q1. Have you experienced any problems with seeking to recognise or enforce a foreign judgment? If so, what have the main problems been? What are the benefits for Australian parties in the recognition and enforcement of foreign judgments abroad, and what are the risks for Australian parties if foreign judgments are recognised and enforced in Australia or overseas?
- Q2. Have you encountered issues and/or inconsistencies with the current regimes for recognition and enforcement of either Australian judgments in foreign countries or foreign judgments in Australia? If so, please provide details.
- Q3. What are your views on the scope of the draft Convention? Are there any civil or commercial matters that are currently in scope that raise concerns? In particular, do you have any views on those matters in bracketed text, ie privacy/unauthorised public disclosure of information relating to private life; and/or intellectual property [and analogous matters]?
- Q4. What are your views on the jurisdictional bases for recognition and enforcement? Do any of the currently proposed bases cause concern?
- Q5. What are your views on the grounds for refusing recognition or enforcement? Do any of the currently proposed grounds cause concern?
- Q6. What are your views on damages, costs and/or other provisions in the draft Convention?
- Q7. Should intellectual property matters be included or excluded in the draft Convention (see Article 5(3) and Article 2, respectively)? To what extent should the circulation of intellectual property judgments be treated differently to that of other judgments under the Convention?
- Q8. If included in the draft Convention, what are your views on the scope of intellectual property rights as currently defined and categorised?
- Q9. Are the suggested discretionary safeguards in the draft convention adequate for intellectual property matters?
- Q10. What are your views on the recognition and enforcement of monetary vs non-monetary judgments for infringement in intellectual property matters? Are there any other issues relating to intellectual property that should be addressed by the draft Convention?

The Attorney-General's Department will take into account the issues raised in submissions ahead of the meeting of the Special Commission on 24 May 2018 and any potential Diplomatic Conference on the draft Convention.



# Examples

## 1 – Intellectual property – consolidation of litigation

Paul lives in Australia. He has been granted separate patents for an invention in Germany, the United States and the United Kingdom. Don, who lives in Germany, produced a product very similar to Paul's invention in Germany. He also sold the product in the United States and the United Kingdom. Recently he stopped the production and sold the remaining stock.

Paul wants to sue Don for damages for infringement of his patents owned for Germany, the United States and the United Kingdom. He chooses to sue in Germany and obtains the desired judgment. Assume that invalidity of the patents was not raised as a defence during the proceedings. The court in Germany has applied the patent infringement laws of Germany, United States and the United Kingdom, respectively, in order to assess whether the patent granted for each of the States concerned was actually infringed. Paul now wants to enforce his judgment in Australia where he lives, and where Don owns considerable assets.

*Can the judgment be recognised and enforced through the proposed Convention?*

The relevant IP-specific filter is located in Article 5(3)(a) as the judgment ruled on a registered patent which was granted in Germany. However, only the part of the judgment that deals with the infringement of the patent granted for Germany (the State of origin of the judgment) would be covered by the filter. Even assuming the rest of the judgment (namely the finding of infringement in the United States and the United Kingdom) was eligible for recognition and enforcement under the Convention, the requested court in Australia could then apply the safeguard rule contained in Article 7(1)(g). To the extent that the court of origin applied the patent infringement laws of the United States and the United Kingdom to those separate patent infringement situations, recognition and enforcement of the judgment may be refused by the requested court.

If the court of origin mistakenly applied the patent infringement law of Germany to the whole of the case, the requested court may declare only the part relating to the patent granted for Germany enforceable. The requested court may refuse recognition or enforcement of the remainder of the judgment, namely the finding of infringement on the United States and United Kingdom granted patents, on the basis of Article 7(1)(g) and only recognise and enforce the part relating to the patent granted for Germany (see Article 9 on severability).

## 2 – Intellectual property – patents

Peter lives in Australia. He has been granted a patent for an invention in Australia. Dean, who also lives in Australia, is producing a product very similar to Peter's invention in Australia. He only sells the product in Australia.

Peter sues Dean in Australia. He obtains a judgment awarding damages for patent infringement based on the patent infringement law of Australia, and also an injunction (on the merits, not merely as injunctive relief) stopping Dean from continuing his allegedly infringing behaviour in Australia. Dean does not pay the damages, so Peter wants to proceed to enforcement. As Dean

has moved his assets out of Australia to Germany, Peter applies for recognition and enforcement of the judgment in Germany.

*Can the judgment be recognised and enforced through the proposed Convention?*

The judgment would be covered by Article 5(3)(a) as the patent was granted in the State of origin of the judgment.

The invalidity of the patent was not raised as a defence in this hypothetical case. As none of the IP-related safeguards/limitations in Articles 6(a), 7(1)(g) and 8 apply, the part of the judgment that awards monetary damages to Peter can be enforced against Dean's assets in Germany. However, this is not the case for the part of the judgment granting injunctive relief as Article 11 provides that only monetary remedies in IP judgments are eligible for enforcement.

Given Peter's patent is territorial and granted only for Australia, even if Dean was producing and marketing his product in Germany, this would not violate Peter's patent granted for Australia. Outside the territory for which the Australia-patent was granted, and assuming Peter has no other patents for this product in other jurisdictions, Dean's behaviour is lawful.

### **3 – Intellectual property – limitation of scope/invalidity defence**

Bob lives in Australia. He has been granted a patent for an invention in Australia. Fred, who lives in France, is producing a product very similar to Bob's invention in Australia. He only sells the product in Australia.

Bob sues Fred in France at Fred's habitual residence. In the proceedings, Fred invokes the invalidity of Bob's patent as a defence. In order to decide upon the application for damages, the court must come to a conclusion on how to deal with this invalidity defence. Under the law of France, it is possible for the court to make a finding on such a preliminary question on its way to the final judgment, which will only have effect between the parties. The court in France in this case concludes that the patent was validly granted under the law of Australia, and that Fred's behaviour did amount to an infringement. The court therefore makes a monetary order awarding damages for patent infringement. Bob now wants to enforce his money judgment in Japan to which Fred has removed his assets during the proceedings.

*Can the judgment be recognised and enforced through the proposed Convention?*

The filters in Article 5(1) do not apply as the judgment rules on an IP right. Article 5(3)(a) would not apply as the judgment on the infringement was not given by a court in a State in which the patent was granted. The judgment is therefore not eligible for recognition or enforcement under the Convention.

Even assuming the judgment was eligible for recognition and enforcement under the Convention, the Japanese court would have discretion to apply Article 7(1)(g), as the French court was not applying its own internal law to determine whether there was an infringement. This means recognition or enforcement of the judgment given by the French court may be refused by a Japanese court.

It is useful to note that Article 6(a) would not have applied as a restriction in the above scenario because the intention behind this provision is to cover only judgments where the registration or validity of the IP right is the *object* of the proceedings. In this example, the object of the proceedings, as determined by the action brought by the plaintiff, is damages based on infringement, and not the validity of the patent. In such situations, Article 8 is of relevance. The general, non-IP-specific rule in paragraph 1 states that the finding on the invalidity defence (the 'ruling' on the 'preliminary' question of validity of the patent to which the French court applied Australian law) is not capable of being recognised or enforced under the Convention. Even if we assumed that the 'order' in the narrow sense of the word (the part of the judgment that orders Fred to pay damages to Bob), is eligible for being recognised or enforced under the Convention, there are also some further limits to consider. Article 8(2) – also non-IP-specific – states that the recognition or enforcement of a judgment may be refused if, and to the extent that, the judgment was based on a matter (...) referred to in Article 6 on which a court other than the court referred to in that Article ruled.

Applied to this example, this general rule would mean that recognition and enforcement of the damages award given by a court in France for infringement of a patent granted by Australia could be refused by the courts of Japan. This is because the judgment (the money award) was based on a finding on the validity of the patent ('a matter referred to in Article 6') and a court other than that of Australia (namely the court of France) ruled on it. For IP matters, Article 8(3) limits this general rule further.

Applied to this case, it says that recognition or enforcement of the damages award may only be refused under Article 8 paragraph 2 where the (incidental or preliminary) ruling on the validity is inconsistent with a judgment or a decision of a competent authority in Australia (the State that granted the patent), or if proceedings concerning the validity of the patent are pending there. In other words, if the defendant wants to be sure that the damages award cannot be recognised or enforced under the draft Convention because in his view the Australia-patent is invalid, he has to go to Australia and challenge it there because only a decision by Australia could nullify the patent with effect *erga omnes* (to everyone).

This system protects the exclusive jurisdiction of the 'proper forum' for validity disputes and encourages parties doubting the validity to use the proper forum.

#### **4 – Intellectual property - geographical indications**

Louise lives in Australia. She manufactures and exports a cider spirit from Australia to a European Union (EU) member State. Louise uses the term 'Billacas' to describe her spirit as a nod to a billabong near where she produces her spirit. In the EU member State the term 'Labacas' (hypothetical) is a protected geographical indication (GI) for apple brandy. While the terms used to describe the products and the products themselves are not the same or, arguably even similar, an action was brought against Louise for infringement of the EU member State's GI on the basis of evocation. The relevant court in the EU member State found in favour of the plaintiff representing the EU member State's GI, noting that while the terms were not similar, a consumer presented with the term 'Billacas' would have the term 'Labacas' triggered in his or her mind (evocation), and awarded damages against Louise.

As Louise's assets were located in Australia, the plaintiff sought to have the judgment recognised and enforced in Australia. The plaintiff relied on Article 5(3)(a) of the draft Convention as the judgment ruled on an infringement in the State of origin (EU) of the registered GI, and Louise was unable to argue a potential safeguard under Article 7(1)(g) as the EU member State's court applied the internal law of the State of origin. Therefore, Louise attempted to argue that the recognition or enforcement of the judgment would be manifestly incompatible with Australian public policy as Australian law does not consider 'evocation' to equate to infringement. However, due to the discretionary nature of the safeguards under Article 7 coupled with the high threshold for the public policy defence, the courts refused to apply the safeguard and the EU member State's judgment was recognised and enforced in Australia.

## **5 – Intellectual property – unregistered trade marks**

Reggie lives in Australia. He has a registered trade mark for the term 'Reggie's Rags' for the T-shirts he manufactures. Reggie decides he would like to export his shirts to Brazil using his trade mark. He checks the trade marks register in Brazil for similar trade marks on similar goods and services and does not uncover anything that appears to be a bar to trade. Reggie applies to have his trade mark registered in Brazil and begins exporting his shirts using this mark.

Reggie is promptly sued for infringement in Brazil by Reggie S.A., a large Brazilian company that produces a range of affordable goods that are very popular in Brazil. The Brazilian company successfully establishes that its trade mark 'Reggie', while unregistered for T-shirts or any type of clothing, has acquired rights in Brazil and that Reggie's use on unrelated goods amounts to infringement.

As Reggie's assets are located in Australia, the Brazilian company seeks to recognise and enforce the judgment under Article 5(3)(b) of the draft Convention, which covers instances of infringement of an unregistered trade mark in the State of origin (Brazil) where the judgment was given by a court in that State.

Reggie unsuccessfully argues in the Australian court that he did not act in that State to initiate or further the infringement, as he exported his goods directly to Brazil for sale. The court does not exercise its discretion in finding that his activity cannot be reasonably seen to be targeting Brazil for the same reasons. None of the discretionary safeguards in Article 7 were available to Reggie as the internal law of Brazil was applied (Article 7(1)(g)), even though Reggie legitimately took steps to determine his freedom to act by checking the Brazilian trade mark register and applying to register his trade mark in Brazil.

## **6 – Legal succession**

Paul lives in Australia. He brings a claim against David in Germany, where David is habitually resident. A judgment is rendered against David. However, after the judgment is given but before recognition and enforcement is sought, David dies and his obligations are transferred to his heir. In this case, the judgment is eligible for recognition and enforcement under Article 5(1)(a) since the defendant had his habitual residence in the State of origin (Germany) and the person against whom recognition or enforcement is sought has validly succeeded to that defendant. The habitual residence of the heir will be irrelevant for the purposes of recognition and enforcement.

## **7 – Trusts**

Emma lives in Australia, Julia lives in Germany and Rachel lives in France. Emma and Julia voluntarily created a trust and evidenced it in writing. The trust instrument designates Germany as a State in which disputes are to be determined. Rachel brings a claim concerning the validity of the trust against Emma and Julia in Germany, where Julia is habitually resident. A judgment is rendered against Emma and Julia. In this case, the judgment is eligible for recognition and enforcement in Australia and France under Article 5(1)(k) because, at the time the proceedings were instituted, Germany (the State of origin) was designated in the trust instrument as a State in which disputes about the validity of the trust could be determined. If the trust was not created voluntarily or evidenced in writing, the judgment would not be eligible for recognition and enforcement under Article 5 (1)(k).

## **8 – Excluded judgments**

Ann brings a contractual claim against Dean in Germany, where the contractual obligation on which the claim was based had to be performed. The parties, however, had agreed to submit the claim to the exclusive jurisdiction of the courts of France. Dean appears before the German court and contests jurisdiction on the basis of the choice of court agreement, but this defence is dismissed. The judgment on the merits is favourable to Ann. The requested Court has discretion to refuse recognition or enforcement of this judgment under Art. 7(1)(d) since the proceedings in Germany were contrary to the choice of court agreement. If, however, Dean appeared before the German court and argued on the merits without contesting jurisdiction, Article 7(1)(d), in principle, would not apply.

**Attachment A – Draft Convention of November 2017**

**Attachment B – Flowchart for the FJA and the common law**

**Attachment C – Flowchart for the draft Convention of November 2017**

**Attachment D – Flowchart for IP matters under the draft Convention of November 2017**